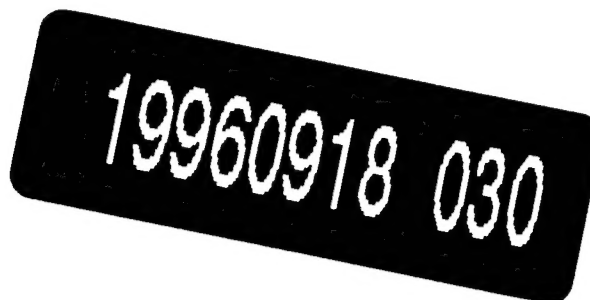
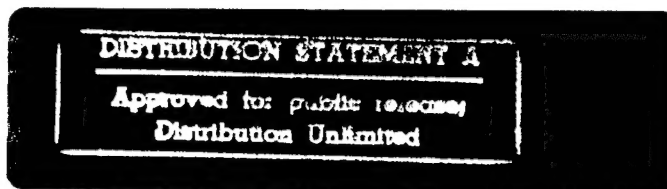


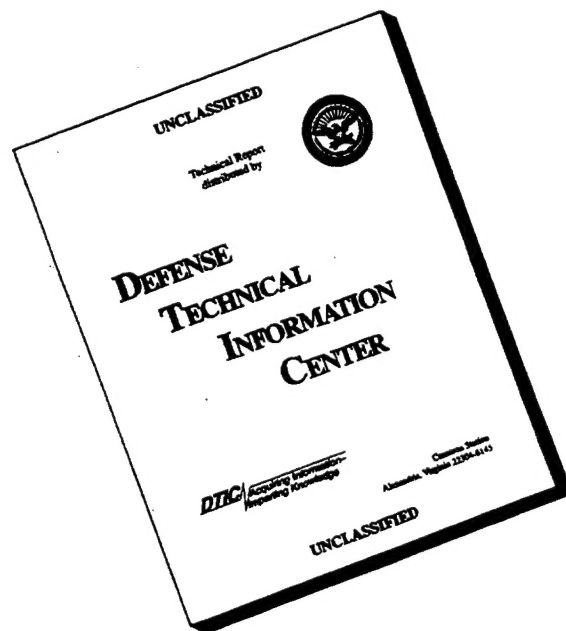
Briefing Report to Congressional
Requesters

July 1996

BOSNIA

Costs Are Exceeding
DOD's Estimate

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National Security and
International Affairs Division

B-272434

July 25, 1996

Congressional Requesters

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The Department of Defense (DOD) had deployed about 22,000 troops to Bosnia and surrounding countries as of July 1996 to assist in implementing the Dayton Peace Accords. U.S. forces are part of a multilateral coalition under North Atlantic Treaty Organization (NATO) command called the Implementation Force (IFOR). DOD is currently estimating that the incremental cost¹ of its participation in IFOR will be about \$3 billion. We reported in March 1996 that DOD's cost for the Bosnia operation was uncertain at that time, but could very well exceed its earlier estimate of \$2.5 billion.² Based on your continued interest in this matter, we are providing updated information about DOD's costs to help you assess DOD's requests for funding. We recently briefed your staff on these issues. We plan to continue reviewing DOD's costs and will provide further reports.

Background

The Dayton Peace Accords, signed on December 14, 1995, are designed to end several years of conflict in the former Yugoslavia. One part of the accords involves the deployment of a NATO-led coalition force to Bosnia-Herzegovina, hereafter referred to as Bosnia, to implement the peace agreement. The purpose of IFOR is to enforce the cessation of hostilities and provide a secure environment for the other parts of the peace plan to take place. The United States is a major force provider to IFOR, and Americans occupy the key NATO military leadership positions that control the operation. As of July 19, 1996, U.S. forces deployed in support of IFOR, which included both active and reserve personnel, were located in 4 countries and numbered 22,140. Of this total, 16,175 military personnel were deployed to Bosnia, 1,354 to Croatia, and a total of 4,611 to Hungary and Italy.

As of April 3, 1996, DOD's estimate of the incremental cost of operations in and around Bosnia was about \$3 billion.³ DOD's estimated costs span 2 fiscal years—1996 and 1997. Fiscal year 1996 costs are estimated at \$2.2 billion, and fiscal year 1997 costs are estimated at \$0.7 billion. This

¹As used in this report, "incremental costs" means those costs that would not have been incurred if it were not for the operation. This is the same definition that is contained in 10 U.S.C. 127a, as amended by the National Defense Authorization Act for Fiscal Year 1996.

²Bosnia: Costs Are Uncertain but Seem Likely to Exceed DOD's Estimate (GAO/NSIAD-96-120BR, Mar. 14, 1996).

³Total does not add due to rounding.

Bosnia:
Costs are Exceeding
DOD's Estimate

estimate reflects an increase of \$476 million—\$292 million in fiscal year 1996 and \$184 million in fiscal year 1997—since our March 1996 report.

To cover estimated fiscal year 1996 costs, Congress provided DOD with \$1.7 billion. This amount consists of (1) authority to reprogram \$876 million of previously appropriated funds and (2) supplemental appropriations of \$858 million. To complete funding, DOD has submitted a second request to reprogram previously appropriated funds, totaling \$507 million, for the balance of fiscal year 1996 costs associated with operations in and around Bosnia. Based on increased call-up of reserve personnel, DOD also requested authority in an omnibus reprogramming request to reprogram \$21 million for military personnel costs. As of July 19, 1996, the cognizant congressional committees had not yet completed final action on these last two reprogramming requests. DOD included \$542 million for the fiscal year 1997 cost of the operation in its fiscal year 1997 budget submission.

Results in Brief

DOD's costs for operations in and around Bosnia, which span fiscal years 1996 and 1997, could exceed DOD's \$3-billion estimate by as much as \$451 million, and further increases are possible. Fiscal year 1996 costs will likely exceed DOD's \$2.2-billion estimate. The Army's cost estimate, which represents over two-thirds of the cost of the operation, has already increased by about \$309 million over DOD's April 3 estimate. This amount includes increased costs for such items as temporary duty for additional reserve personnel deployed to Europe, communications, the Logistics Civil Augmentation Program, changing the composition of the force in Bosnia, and providing equipment to assist Bosnia in its self-defense as directed by the President. These costs will be absorbed within the Army's operation and maintenance account. Potential new requirements for items such as further changes to the force composition in Bosnia and additional transportation could add as much as \$142 million to the costs. The Army is reviewing some of the \$142 million to determine if it should pay for certain costs related to transportation and NATO IFOR headquarters.

Fiscal year 1997 costs will likely exceed the current estimate and depend heavily on decisions that are yet to be made regarding force requirements and redeployment. DOD's estimate has already increased beyond the amount included in the President's budget submission. Both the amount in the President's budget and the revised DOD estimate are based on redeployment from Bosnia and neighboring countries being completed by December 20, 1996. Current planning by the U.S. Army, Europe, however,

assumes that although U.S. forces will redeploy from Bosnia by December 20, redeployment from Croatia and Hungary will extend into 1997. Future decisions on NATO force requirements and when to begin redeployment will determine when and how U.S. forces redeploy from the area of operations and whether additional sustainment will be required beyond December 20. Any costs incurred beyond that date or in addition to the planned requirements will either be absorbed within existing DOD appropriations or require additional funding.

Scope and Methodology

To assess DOD's cost estimate of the Bosnia operation, we reviewed detailed cost information at the Office of the Under Secretary of Defense (Comptroller). We discussed the assumptions used to develop the estimate with Comptroller and service officials. To compare actual experience and costs incurred to date with the estimate, we held discussions and reviewed data at the U.S. Transportation Command; the Air Mobility Command; the U.S. European Command; U.S. Army, Europe; U.S. Air Forces, Europe; the Air Force's Air Combat Command; and the Navy's Commander-in-Chief, Atlantic Fleet.

To assess the operation's funding for fiscal year 1996, we reviewed DOD requests for reprogramming funds and the President's February 21, 1996, submission to Congress requesting supplemental appropriations and subsequent congressional action. To determine the operation's funding for fiscal year 1997, we reviewed the President's budget submission for fiscal year 1997 and subsequent DOD information.

We performed our review from April to July 1996 in accordance with generally accepted government auditing standards. We reviewed the information in this briefing report with DOD officials and made changes where appropriate. DOD officials generally agreed with our findings.

We are providing copies of this report to the Chairmen and Ranking Minority Members of the House and Senate Committees on Appropriations, the House Committee on National Security, and the Senate Committee on Armed Services, and to the Ranking Minority Member, Senate Committee on Foreign Relations. We will also send copies to the Secretaries of Defense, the Air Force, the Army, and the Navy and the Director, Office of Management and Budget. Copies will also be made available to others on request.

If you or your staff have any questions about this report, please contact me at (202) 512-3504. The major contributors to this report are listed in appendix I.

A handwritten signature in cursive script that reads "Richard Davis".

Richard Davis
Director, National Security
Analysis

List of Congressional Requesters

The Honorable Jesse Helms
Chairman, Committee on Foreign Relations
United States Senate

The Honorable Ted Stevens
Chairman
The Honorable Daniel K. Inouye
Ranking Minority Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable C.W. Bill Young
Chairman
The Honorable John P. Murtha
Ranking Minority Member
Subcommittee on National Security
Committee on Appropriations
House of Representatives

The Honorable Robert K. Dornan
Chairman, Subcommittee on Military Personnel
Committee on National Security
House of Representatives

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Abbreviations

DOD	Department of Defense
DBOF	Defense Business Operations Fund
IFOR	Implementation Force
LOGCAP	Logistics Civil Augmentation Program
NATO	North Atlantic Treaty Organization
O&M	operation and maintenance
SAAM	Special Assignment Airlift Missions

Background

GAO United States Has Major Role in Bosnia Peace Implementation

- Dayton Peace Accords--Three Part Strategy
 - NATO-led implementing military force
 - Major economic redevelopment program
 - Military stabilization effort

The Dayton Peace Accords, signed on December 14, 1995, are designed to end several years of conflict in the former Yugoslavia. It contains a three-part strategy.

One part is the deployment of a North Atlantic Treaty Organization (NATO)-led coalition force to Bosnia-Herzegovina, hereafter referred to as Bosnia, to implement the peace agreement. The purpose of this Implementation Force (IFOR) is to enforce the cessation of hostilities and provide a secure environment for the other parts of the peace plan to take place. The accords call for IFOR to provide a secure environment for 1 year to provide "breathing space" or a "cooling-off period" after 4 years of war.

Both NATO and non-NATO forces are participating in this action under U.N. authorization. The United States is a major force provider to IFOR, and Americans occupy the key NATO military leadership positions that are responsible for the operation. As of July 19, 1996, U.S. forces deployed in either direct or indirect support of IFOR were located in 4 countries and numbered 22,140. Of this total, 16,175 military personnel were deployed to Bosnia, 1,354 to Croatia, and a total of 4,611 to Hungary and Italy.

The key military tasks in Bosnia are to mark and monitor a 4-kilometer-wide zone of separation between the three factions, patrol the zone of separation, and oversee the withdrawal of forces and weapons away from the zone and back to cantonment areas.

A second part of the peace strategy is to establish a functioning government and economy, which includes a major economic redevelopment program, to be lead by the Europeans. This effort will include supervising elections, resettling refugees, and overseeing economic reconstruction.

The third part is a military stabilization effort in which forces will be drawn down and an arms control program will be established. The purpose of this effort is to ensure that the parties to the peace agreement can ensure their own safety when IFOR leaves. Establishing the military force balance is not a task of NATO or U.S. forces. The United States said that it is prepared to take actions in concert with other nations to ensure that this balance is achieved.

Fiscal Year 1996 Costs

GAO Fiscal Year 1996 Cost Estimate as of April 3, 1996

Dollars in millions

	<u>O&M</u>	<u>Military personnel</u>	<u>Other appropriations</u>	<u>Total</u>
Army	\$1,286.2	\$248.0	\$37.5	\$1,571.7
Navy	91.2	11.5	0	102.7
Marine Corps	1.2	2.6	0	3.8
Air Force	285.3	38.2	26.0	349.5
Other	<u>212.8</u>	<u>0</u>	<u>0</u>	<u>212.8</u>
Total	\$1,876.7	\$300.3	\$63.5	\$2,240.5

Source: DOD Comptroller.

As of April 3, 1996, the Department of Defense's (DOD) estimate of the incremental cost of operations in and around Bosnia was \$3 billion.¹ DOD costs span 2 fiscal years—1996 and 1997. Fiscal year 1996 costs are estimated at \$2.2 billion, and fiscal year 1997 costs are estimated at \$0.7 billion. Since our March 1996 report, estimated costs have increased \$476 million—\$292 million in fiscal year 1996 and \$184 million in fiscal year 1997.

Fiscal year 1996 costs include training for troops designated to deploy in and around Bosnia; deployment of forces; sustainment of those forces, including contractor support; operating tempo; and military pay costs such as imminent danger pay and reserve activation. Fiscal year 1997 costs are discussed in briefing section III.

The Army, which is deploying and logistically supporting ground troops² in and around Bosnia, is estimated to incur the majority of costs—\$1.6 billion, or 70 percent of the fiscal year 1996 estimated costs. The Air Force has the next largest share of costs—about \$350 million, or 16 percent. Together, the Navy and the Marine Corps have the smallest share—about 5 percent, or \$107 million. The other estimated costs are spread over a number of defensewide agencies, such as the U.S. Special Operations Command and the Defense Mapping Agency.

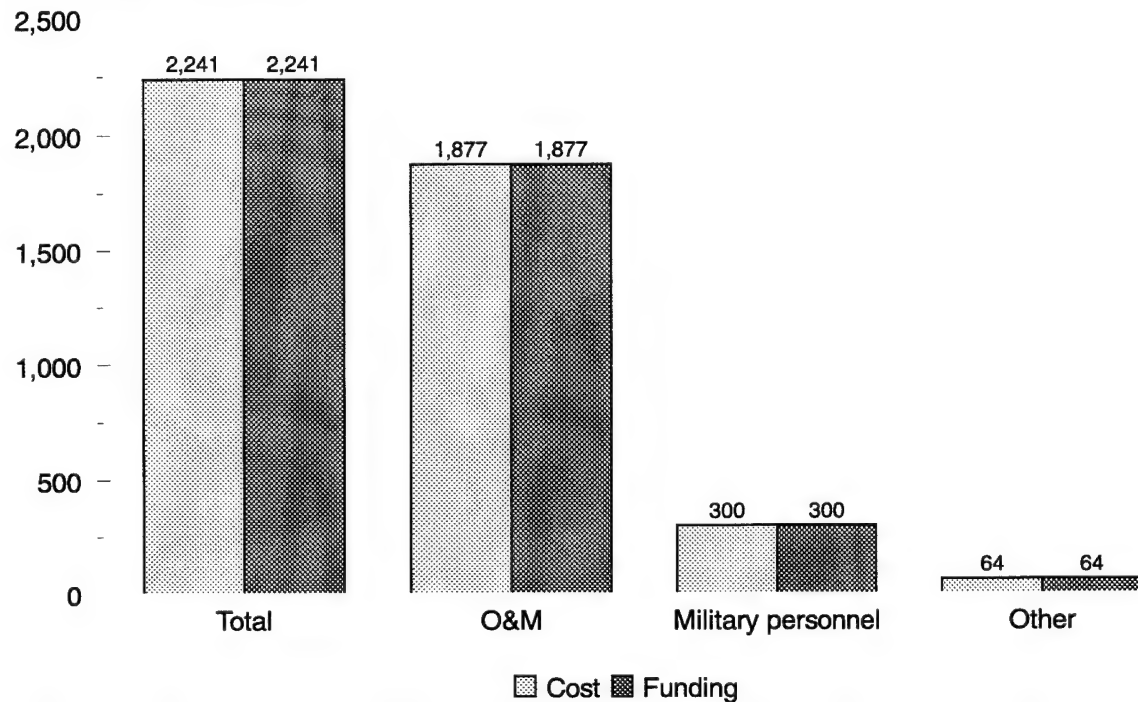
Most of the estimated costs—84 percent—are in operation and maintenance (O&M) accounts. These accounts pay for such items as transportation, per diem, supplies, fuel, communications, contractual services, equipment maintenance, and other mission-related expenses. Of the costs remaining, 13 percent is in military personnel accounts. These accounts fund certain special pays that military personnel deployed to Bosnia are eligible to receive, such as imminent danger pay, family separation allowance, certain places pay (formerly called foreign duty pay), and basic allowance for subsistence for enlisted personnel as well as the military pay for activated reservists. The other 3 percent is in the Air Force procurement account and the Army military construction account.

¹Total does not add due to rounding.

²The Army is logistically supporting ground troops for all services in Bosnia, Croatia, and Hungary.

GAO Total DOD Cost Estimate Matched Planned Funding as of April 3, 1996

Dollars in millions

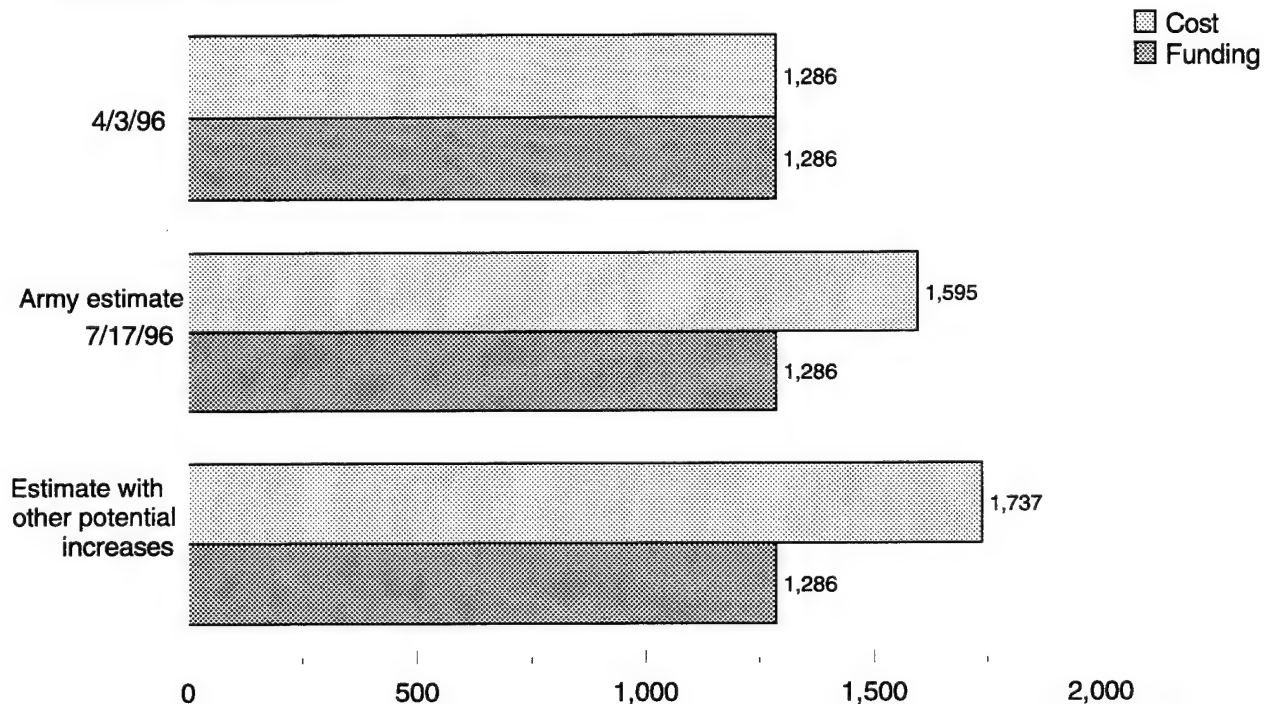


To cover estimated fiscal year 1996 costs, Congress provided DOD with \$1.7 billion. This amount consists of (1) authority to reprogram \$876 million of previously appropriated funds and (2) supplemental appropriations of \$858 million. To complete funding, DOD submitted a second request to reprogram previously appropriated funds totaling \$507 million for the balance of fiscal year 1996 costs associated with operations in and around Bosnia. As of July 19, 1996, the cognizant congressional committees had not yet completed final action on this request.

The sum of the reprogramming requests, when completed, and the supplemental funding was designed to fully fund U.S. participation in Bosnia operations. The Army's estimated costs have since increased significantly. The reasons for the increase are discussed on the following pages. The Air Force and the Navy are reviewing their costs. The Navy expects its overall costs to remain at the funded level. Air Force officials expect that, based on calls from their major commands, their costs may increase, but at this point have not estimated the increases. We found that the cost of the Air Force's use of Special Assignment Airlift Missions (SAAM) may exceed planned spending levels by \$9 million based on the Air Mobility Command's estimate of Air Force SAAM billings through May 1996. These SAAM bills are for transportation that is provided to a service, which is then responsible for paying the cost of the transportation provided. Funding for increases to the cost requirements will have to be revisited before the end of the fiscal year.

GAO Army O&M Cost Estimate Now Exceeds Planned Funding

Dollars in millions



Army O&M costs have been increasing since the April estimate of \$1,286 million was prepared. As of July 17, 1996, the Army had identified an additional \$309 million in O&M requirements, bringing the O&M cost estimate to \$1,595 million. This increased estimate includes costs for such items as temporary duty for additional reserve personnel deployed to Europe, communications, the Logistics Civil Augmentation Program (LOGCAP), and miscellaneous requirements such as additional European Command support and scheduled supply flights. It also includes costs for

deploying and sustaining two additional military police units as part of the change in the composition of forces in Bosnia involving replacing heavier tank units with lighter units. In addition, the Army included costs to pack, transport, and provide spare parts for items that the President directed under section 540 of the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 1996 be turned over to Bosnia to assist that country in its self-defense. These items include weapons, communications gear, tanks, and helicopters. All of the \$309 million will be absorbed within the Army's O&M account.

In addition, we identified further potential costs that total \$142 million, which could bring the Army's O&M costs to \$1,737 million for the fiscal year. These additional costs include increases the Army expects as new requirements are identified during the remainder of the fiscal year. Of the \$142 million, \$33 million has been identified as the estimated cost for a potential requirement to deploy and sustain two additional engineer units as part of the continuing effort to change the force composition in Bosnia. Another \$77 million of the \$142 million represents additional SAAM transportation costs we estimated that the Army could incur through the end of the fiscal year. This \$77 million includes \$37 million in disputed billings that the Army is reviewing to determine if it should pay them, \$16 million in billings the Army has not yet received, and \$24 million in estimated costs for the remainder of this fiscal year. The remaining \$32 million of the \$142 million is for the U.S. share of NATO IFOR headquarters' costs and is also being reviewed to determine if the Army should pay these costs.

The Army also identified an additional \$21 million in military personnel costs to support an increase in the President's selected reserve call-up from 3,888 to 7,800 personnel. DOD requested this amount in an omnibus reprogramming request submitted on May 24, 1996, to pay for reservists' pay and benefits while on active duty in support of operations in and around Bosnia—costs that were unknown at the time prior reprogrammings were submitted to Congress. This request is for funding throughout DOD and is in addition to the previously described funding actions. As of July 19, 1996, this request was awaiting approval from the cognizant congressional committees.

GAO Communications

Dollars in millions

Original estimate	\$27
Current estimate	<u>67</u>
Difference	(40)

The Army estimated IFOR communications would cost about \$27 million. U.S. Army, Europe, recently submitted additional communications requirements of about \$40 million, which will increase the total cost to \$67 million. The \$40 million in additional requirements is included in the Army's revised estimate of July 17, 1996. The primary reason for this increase is unanticipated costs that the Army must pay, as the service responsible for paying the communications bills relating to U.S. participation in IFOR. This \$40 million includes such items as \$17 million for the Defense Information Systems Agency for communications lines and \$14 million for reimbursable costs incurred by the Army's 5th Signal Command deployed to Bosnia. Although the Army currently plans to fund the \$40 million, it is reviewing the \$17-million bill to determine if it is a valid Army requirement or should be paid by the Defense Information Systems Agency.

GAO LOGCAP

Dollars in millions

Army estimate	\$440.4
Requested funding as of April 3, 1996	<u>407.5</u>
Difference	(32.9)

LOGCAP uses a civilian contractor to perform selected engineering and logistics services during contingency operations to augment U.S. forces. In Bosnia, Croatia, and Hungary, the contractor is providing many of the basic services to support military personnel, including troop housing and facilities, food service, laundry operation, and other logistics services.

We previously reported that estimated LOGCAP costs have increased significantly since the beginning of the operation. Rapidly changing

logistics needs at the beginning of the mission created an increase in requirements. The geography of the U.S. sector in Bosnia and force protection concerns required an increase in the number of base camps. This in turn required an increase in the number of feeding stations, laundry facilities, and other services needed to sustain the troops living in the base camps. Muddy ground conditions and the increased number of camps required more extensive site preparation and construction, which cost more than originally anticipated. Under a separate review, we are currently evaluating the management of LOGCAP and the reasons why the costs in Bosnia have exceeded original estimates.

As of July 1, 1996, the Army had identified \$440.4 million in LOGCAP costs for fiscal year 1996. Of this amount, the Army will receive funding for \$407.5 million, which is included in the three funding actions. The funding shortfall of \$33 million is included in the Army's July 17 revised estimate. This shortfall does not include any costs that could be incurred for new requirements, such as contractor involvement in changing the composition of the force or other requirements that may occur before the end of the fiscal year. However, the Army is looking at ways in which the costs could be reduced, such as decreasing the level of services required from the contractor.

A separate, diplomatic effort is underway to reduce the fiscal year 1996 LOGCAP cost. This effort involves the negotiation of a supplementary agreement to the Status of Forces Agreement with Hungary. The Status of Forces Agreement established terms and conditions that govern activities of U.S. forces stationed in or transiting the Republic of Hungary in connection with the IFOR mission. According to DOD officials, under prevailing agreements, neither the U.S. government nor its contractors were given relief from taxes to be paid on goods and services purchased. This means that the LOGCAP contractor is required to pay a value-added tax on all goods and services purchased in Hungary. Under terms of the contract, these taxes are LOGCAP costs that must be paid by the Army.

The United States and Hungary are close to completing negotiation of the supplementary agreement, which will then be submitted to the Hungarian Parliament for ratification. Once ratified, the supplementary agreement would give the United States the ability to request a refund of taxes paid over the term of the LOGCAP contract. This refund would go directly to the Army. The LOGCAP contractor estimated that, as of May 1, 1996, the taxes paid to Hungary were about \$3.6 million. If the money is refunded to the Army, it will be returned to the Army's fiscal year 1996 O&M account.

GAO Special Assignment Airlift Missions

Dollars in millions

Budgeted		\$44
Additional Costs		
Disputed Air Mobility Command billings	37	
Bills in process for services rendered	16	
GAO projection for June through September 1996 based on experience to date	<u>24</u>	
Potential total year-end shortfall	77	

The Army anticipates increased costs for SAAM transportation supporting operations in and around Bosnia. As of April 1996, the U.S. Army, Europe, estimated that this transportation would cost \$44 million and had budgeted funding at that level. We have identified additional SAAM transportation that could increase the Army's cost and funding shortfall by as much as \$77 million. This amount includes \$37 million in billings that the Army is disputing and \$16 million in Air Mobility Command billings that the Army has not yet received. In addition, it includes \$24 million in remaining fiscal year 1996 costs we have estimated based on SAAM transportation provided in the April/May 1996 time period, which averaged about \$6 million per month.

The Army is disputing \$37 million of the increased billings because it believes them to represent SAAM transportation provided to other services or duplicate billings. It is not planning to pay the Air Mobility Command until its analysis is complete and the billing concerns are resolved. To the extent that these billings, as well as any future billings, are found to duplicate previous billings or represent SAAM transportation provided to other services, the Army's potential funding shortfall will be reduced. However, to the extent the Army was billed for other services' transportation, these services' costs will increase.

GAO NATO IFOR Headquarters' Cost

- DOD had originally estimated U.S. share of \$37.5 million to be paid by the Army
 - DOD subsequently eliminated NATO payment from the Army's planned spending
 - NATO recently billed the Army for \$12 million
 - Army is anticipating another NATO request for \$18-\$20 million in September
-

For operations in and around Bosnia, NATO has its headquarters in Sarajevo as well as regional headquarters in Zagreb, Kiseljak, and Split, Croatia. Although most IFOR operating costs are borne by the individual troop-contributing countries, NATO decided that IFOR headquarters' costs, including the regional headquarters, will be commonly funded by the NATO member nations. These costs are covered by NATO's military budget. The United States initially estimated its share of headquarters' costs at \$37.5 million, which would be paid by the Army. The Bosnia cost estimate originally included this amount, but DOD subsequently deleted it from the Army's planned spending, because it had determined that the Army had sufficient funding to cover these costs.

As of June 1996, NATO is estimating IFOR headquarters' costs of \$122 million based on actual experience. The headquarters' budget is a conventional O&M budget and includes such items as travel costs, vehicle rental, and fuel and petroleum.

NATO is planning to fund its IFOR headquarters' costs within its overall military budget to the extent possible by (1) using lapsed funds from prior years and (2) reducing the funding for planned exercises. Although these funds were included in NATO's military budget, they had not been requested from member states until recently. NATO has now requested that member states provide part of the funding—\$51 million—for IFOR headquarters' costs. The U.S. share, which is paid by the Army, is \$12 million. A further funding request from member states is expected in September. According to Army officials, the U.S. share of the expected September request will be an estimated \$18 million to \$20 million, for a total of up to \$32 million for the fiscal year. This amount is part of the \$142 million we have identified as other potential cost increases. According to Army officials, the Army will not be able to fund these additional requirements within available funds. However, according to the Office of the Under Secretary of Defense (Comptroller), it may be able to meet IFOR funding requirements within existing funding or, if necessary, defer part of the payment until fiscal year 1997. To the extent that requests for IFOR headquarters' funding (1) exceeds funds available for the Army to meet regular NATO requirements and (2) cannot be deferred until fiscal year 1997, these requests will add to the Army's funding needs.

GAO Funding Options

- Transfer funding from one service to another
- Request further funding
- Delay reimbursement of DBOF
- Invoke Feed and Forage Act authority

As mentioned previously, although DOD's April cost estimate matched planned funding, costs have been increasing. Early in a fiscal year, the services use funds from future quarters to cover the costs of unbudgeted contingency operations. As the fiscal year progresses, funding flexibility is reduced. This is especially true in the third and fourth quarters of the fiscal year, when much of the appropriated funding has been spent. Funding unbudgeted operations by this point in the fiscal year can affect planned

budget execution for such activities as spare parts acquisition, proficiency training, and unit exercises.

If the services are unable to shift remaining funds to cover these increased cost requirements, there are several options that they could use to meet their funding needs. These include (1) transferring funds from one service to another, (2) requesting further funding, (3) delaying reimbursement of the Defense Business Operations Fund (DBOF), and (4) requesting that DOD invoke the Feed and Forage Act authority.

As we reported in our March 1996 report, if initial contingency operation funding proves to be inadequate, but some services have costs below their funded level, while others have costs above it, excesses should be redistributed by transfer before Congress provides additional funds. This situation does not seem to be the case at this time, but funding needs could change before the end of the fiscal year.

DOD always has the option of requesting reprogrammings of existing appropriations or additional funding through supplemental appropriations from Congress. For example, on September 30, 1994, the fiscal year 1995 defense appropriations act provided supplemental appropriations for certain operations that occurred in fiscal year 1994.

The National Defense Authorization Act for Fiscal Year 1994 (10 U.S.C. 127a) first established the use of DBOF as a temporary funding source for contingency operations. This gives the services the authority to delay reimbursement of DBOF-related charges for services, such as transportation. Although this can relieve some funding problems in the current fiscal year, the Secretary of Defense must submit a repayment plan outlining how DBOF will be repaid. According to DOD officials, whether DBOF can be used as a funding source depends on the sufficiency of DBOF cash reserves.

Under the Feed and Forage Act (41 U.S.C. 11), DOD is authorized to incur obligations on behalf of the United States "for clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies" that exceed available appropriations, but that may not exceed "the necessities of the current year." This authority is unfunded and requires a subsequent appropriation to liquidate any obligations that are incurred. DOD considers the use of the Feed and Forage Act to cover increased cost requirements as a last resort when all other options have been exhausted.

Fiscal Year 1997 Costs

GAO Current Fiscal Year 1997 Cost Estimate

Dollars in millions

	<u>O&M</u>	<u>Military personnel</u>	<u>Other appropriations</u>	<u>Total</u>
Army	\$462.2	\$75.1	\$12.5	\$549.8
Navy	23.1	3.6	0	26.7
Marine Corps	0.2	0.8	0	1.0
Air Force	82.3	10.3	6.0	98.6
Other	<u>49.3</u>	<u>0</u>	<u>0</u>	<u>49.3</u>
Total	\$617.1	\$89.8	\$18.5	\$725.4

As noted earlier, DOD's estimate of fiscal year 1997 incremental costs for operations in and around Bosnia is \$725 million. These costs include continuation of operations underway in fiscal year 1996, redeployment of U.S. forces and reserve inactivation at the conclusion of the operation, and reconstitution of equipment used in the operation.

As in fiscal year 1996, the Army is estimated to incur the majority of the costs—almost \$550 million, or 76 percent of all fiscal year 1997 costs. The Air Force has the next largest share of costs—almost \$99 million or 14 percent. Together, the Navy and the Marine Corps have the smallest share, 4 percent, or about \$28 million. The other estimated costs are spread over a number of defensewide agencies, such as the U.S. Special Operations Command and the Defense Mapping Agency.

Most of the estimated costs—85 percent—is in o&m accounts. Of the costs remaining, 12 percent is in military personnel accounts. All cost estimates are based on the assumption that all U.S. military personnel will be out of Bosnia and neighboring countries by December 20, 1996, to reflect the time frame established at the beginning of the operation.

GAO **Costs Will Continue Beyond December 1996**

- President's budget assumes all forces will redeploy from Bosnia, Croatia, and Hungary by December 20, 1996
- Current planning assumes redeployment from Croatia and Hungary will last into 1997

In an earlier report on funding contingencies,³ we suggested that DOD include the costs of operations that are expected to extend into a second fiscal year in its annual budget submission. DOD recognized that operations in Bosnia and neighboring countries would continue into fiscal year 1997 and included \$542 million for the operation in the President's budget submission to Congress in February. Currently, DOD's fiscal year 1997 estimate of the incremental cost of the operation has increased by \$184 million to a total of \$725 million.⁴ These costs reflect a revised estimate for October through December 1996 costs and continue to assume that all U.S. military personnel will have redeployed from the area of operations, which includes Bosnia, Croatia, and Hungary, by December 20, 1996. DOD has informally advised the House and Senate Committees on Appropriations of this increase.

U.S. European Command and U.S. Army, Europe, officials told us that, although planning for the redeployment of troops after the operation was based on the premise that all troops would be out of Bosnia by December 20, 1996, redeployment from Croatia and Hungary would extend into 1997. Any troops remaining in the theater of operations beyond December 1996 will incur costs beyond those included in the President's budget and DOD's current estimate. In addition, key decisions that will be made in the coming months will further affect fiscal year 1997 costs.

³DOD Budget: Analysis of Options for Funding Contingency Operations (GAO/NSIAD-94-152BR, Apr. 26, 1994).

⁴Total does not add due to rounding.

GAO Key Costs Will Be Affected by Future
Decisions

- Size of covering or capable force until mission is completed
- Date on which redeployment begins
- Possible follow-on force requirement

There are several key decisions that will affect the fiscal year 1997 cost of U.S. operations in support of IFOR. These involve the size of the covering force that will remain until the end of the mission, the date when redeployment of U.S. forces begins, and the possibility of a follow-on force to replace IFOR, and, if there is, whether it will include U.S. forces.

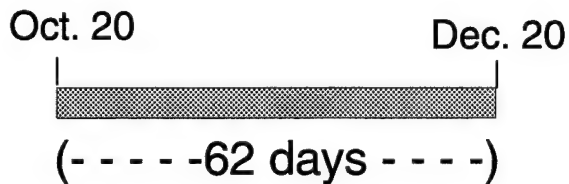
The IFOR NATO Commander has expressed the desire to maintain a capable, effective force in Bosnia until the anticipated end of the mission on December 20, 1996. However, the makeup of such a force has not been defined. In a letter addressed to a Member of Congress dated June 7, 1996, the Secretary of Defense stated that "... the key point is [to] retain sufficient forces to accomplish assigned tasks and protect the lives of personnel ... completing IFOR's withdrawal will obviously take some time after the one year anniversary [December 20]" If these troops remain in Bosnia or neighboring countries after December 20, 1996, costs for their support would exceed DOD's estimated costs.

In the same letter, the Secretary of Defense stated that IFOR will remain at full strength through September 1996, after the Bosnian elections are scheduled to be held. Based on Army planning estimates, it will take about 100 days to conduct an orderly and cost-efficient redeployment from Bosnia primarily using rail and barge transportation and troop labor instead of contractors. Other redeployment plans taking less time would have to make greater use of more expensive modes of transportation and contractors. Therefore, to complete redeployment by December 20, 1996, without having to use more expensive modes of transportation, movement would have to begin around the time of the Bosnian elections.

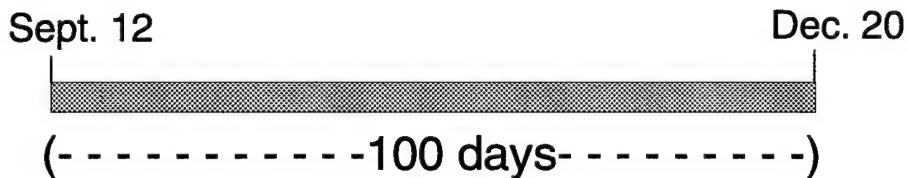
The President and the Secretary of Defense stated that IFOR's mission will last for 1 year and that all NATO forces will redeploy at that time. There has, however, been speculation that some type of follow-on force will supplant IFOR. A decision to have a follow-on force will increase U.S. costs to the extent the United States chooses to participate in such a force.

GAO Time Frames to Complete Redeployment by December 1996

Starting date of redeployment based on time it took to deploy



Starting date of redeployment based on Army planning to conduct an orderly redeployment



Future events and decisions will affect the time frames allowed for redeployment of U.S. forces. The time frames allowed will in turn affect the choice of transportation modes to be used for the redeployment. The time frames and transportation modes will affect the cost. DOD officials in Europe told us that no decision has been made regarding when redeployment of U.S. forces from Bosnia will begin. DOD is planning for the redeployment, but no actions will be taken to redeploy until that decision is made and coordinated with NATO and various allied countries.

As noted earlier, the Army estimates that an orderly, cost-efficient redeployment from Bosnia will take about 100 days. Planning for this redeployment is based on using ground transportation—rail and barge—for the most part and troop labor as opposed to contractors. To complete a redeployment in 100 days, it would have to begin around September 12—2 days before the Bosnian elections are estimated to be held. If a decision is deferred until well after the Bosnian elections, either the redeployment under the above plan would extend beyond December 20 or the plan would have to be revised to rely more heavily on airlift than previously planned, as well as on ground transportation. A heavier reliance on airlift would increase the cost of redeployment. The deployment into Bosnia, which involved considerable airlift, took about 62 days. Relying more heavily on airlift for redeployment, and using the deployment time as a guide, we estimated a redeployment starting in late October could be completed by December 20.

DOD estimates that redeployment will cost \$73 million. We previously reported that through January 1996, deployment transportation had cost \$157 million. Deployment was completed in early February. As noted above, the cost of the redeployment will be affected by the modes of transportation used, with a reliance on airlift driving up transportation costs. Alternatively, a heavy reliance on ground transportation with redeployment beginning after September 1996 and extending beyond December 20 will increase sustainment costs. Office of the Under Secretary of Defense (Comptroller) officials estimated that sustainment costs for the operation at the current troop strength average about \$150 million per month. Therefore, paying more in transportation costs for a more rapid redeployment would result in lower sustainment costs. Until decisions on redeployment are made, costs will remain uncertain.

GAO Funding Implications

- Costs beyond December 1996 are unfunded in President's budget
 - Costs beyond December will have to be absorbed by the services or will require congressional action
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As mentioned previously, DOD's current cost estimate and funding level is based on the assumption that all U.S. military personnel will be out of Bosnia and neighboring countries by December 20, 1996. We identified several circumstances under which the departure date could be delayed, and key costs remain uncertain. Costs incurred beyond December 20, 1996, as well as any further increases in costs between October and December 1996, are unfunded in the President's budget, and will either have to be absorbed within existing DOD appropriations or funded through further congressional action.

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